

Message Text

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C O N F I D E N T I A L SANTIAGO 1343

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EO 11652: GDS

TAGS: CI, EIND, US

SUBJ: COPPER - ANACONDA

1. SUMMARY. ANACONDA LOCAL COUNSEL MANUEL VARGAS CALLED ON AMBASSADOR TO PROVIDE SUMMARY OF CURRENT STATE OF NEGOTIATIONS. VARGAS INDICATED PARTIES WERE STILL FAR APART AND EXPRESSED CONCERN THAT GOC NEGOTIATOR JULIO PHILIPPI APPEARED TO BE ACTING UNDER NARROW INSTRUCTIONS LIMITING HIMSELF TO LEGAL ISSUES RATHER THAN VIEWING BROADER ECONOMIC ASPECTS OF THE PROBLEM. PHILIPPI DEPARTS FOR FURTHER CONVERSATIONS WITH ANACONDA AND KENNECOTT IN U.S. ON TUESDAY, MARCH 26. END SUMMARY

2. ANACONDA LOCAL COUNSEL VARGAS CALLED ON AMBASSADOR MARCH 19 PURSUANT TO INSTRUCTIONS FROM ANACONDA TO PROVIDE INFORMATION ON STATE OF PLAY IN CONVERSATIONS WITH PHILIPPI. VARGAS INDICATED THAT WHILE HE WAS NOT AUTHORIZED TO ENTER INTO NEGOTIATIONS HIMSELF, HE WAS ANACONDA'S OFFICIAL LOCAL REPRESENTATIVE AND WAS AUTHORIZED TO PROVIDE INFORMATION TO PHILIPPI AND TO CARRY ON INFORMAL DISCUSSIONS WITH HIM. VARGAS INDICATED THAT POSITION OF PARTIES WAS STILL QUITE FAR APART AND EXPRESSED CONCERN THAT MATTER SEEMED TO BE VIEWED BY PHILIPPI IN TERMS OF LEGAL TECHNICALITIES RATHER THAN ECONOMIC REALITIES. VARGAS' PRESENTATION IN THIS REGARD WAS SIMILAR TO CONTENTS OF DEPARTMENT PRESENTATION TO RAUL SAEZ, AMBASSADOR HEITMANN AND CARLOS MASSAD (STATE 048212).

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3. AMBASSADOR EXPRESSED INTEREST IN VARGAS' PRESENTATION

AND INDICATED THAT WHILE MATTER WAS CURRENTLY ONE BETWEEN GOC AND ANACONDA WE WOULD FOLLOW PROGRESS CLOSELY IN HOPE THAT IT WOULD BE UNNECESSARY FOR USG TO BECOME DIRECTLY INVOLVED.

4. IN EXPLORING FURTHER VARGAS' IMPRESSIONS OF PHILIPPI'S POSITION, VARGAS INDICATED THAT ONE MATTER OF CONCERN WAS PHILIPPI'S INSISTANCE THAT MATTER BE DECIDED NOT ONLY WITHIN FRAMEWORK OF ARTICLE 17 OF CHILEAN CONSTITUTIONAL REFORM BUT ALSO THAT SOLUTION BE REVIEWED IN DETAIL BY THE COPPER TRIBUNAL. THIS TRIBUNAL WAS NOW, ACCORDING TO VARGAS (AND PHILIPPI), COMPLETELY INDEPENDENT BECAUSE THREE OF ITS FIVE MEMBERS WERE MEMBERS OF THE CHILEAN JUDICIARY. NECESSITY OF REVIEW BY COPPER TRIBUNAL THEREFORE INTRODUCED SOMETHING OF A WILD CARD INTO NEGOTIATIONS. THIS VARGAS THOUGHT WOULD BE UNACCEPTABLE TO ANACONDA.

5. IN THIS REGARD VARGAS REVEALED THAT IN OFF-RECORD AND ENTIRELY SAOFFICIAL CONVERSATION WITH PHILIPPI LATTER HAD INDICATED THAT IT MIGHT BE POSSIBLE TO AVOID THIS PROBLEM BSLHAVING THE JUNTA ADOPT A DECREE "INTERPRETING" ARTICLE 17 IN A MA VER WHICH WOULD PERMIT RATIFICATION BY THE COPPER TRIBUNAL OF A SETTLEMENT WITHIN THE GENERAL FRAMEWORK OF ARTICLE 17 (WITH THE IMPLICATION THAT SUCH A SETTLEMENT MIGHT GO BEYOND THE LETTER AND SPIRIT OF ARTICLE 17 AS PRESENTLY CONSTITUTED). PHILIPPI STRESSED THIS WAS NOT AN OFFICIAL GOC POSITION BUT MERELY A PRIVATE SUGGESTION OF HIS OWN.

6. PHILIPPI WILL DEPWMT FOR US MARCH 26 FOR FURTHER TALKS WITH ANACONDA AND KENNECOTT. VARGAS WILL DEPART THREE DAYS EARLIER. AMBASSADOR INDICATED APPRECIATION FOR VARGAS' VISIT

AND REQUESTED THAT HE BE KEPT INFORMED ON PROGRESS OF TALKS. VARGAS IN TURN VOLUNTEERED TO PROVIDE ANY INFORMATION WHICH THE AMBASSADOR MIGHT REQUIRE REGARDING THE NEGOTIATIONS. POPPER

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